

## HECB 2003-05 Operating and Capital Budget Recommendations

November 1, 2002

### **Background: HECB role in recommending higher education budgets**

The Higher Education Coordinating Board is directed by law to identify the state's higher education goals and priorities, and to recommend operating and capital budget levels to meet the needs of the higher education system. The Board adopted the budget recommendations outlined below at its regular meeting on October 29, 2002. The Board is scheduled to consider revenue alternatives to implement the funding proposal when it meets December 12 at the University of Washington in Seattle.

### **The HECB recommendations for the 2003-05 budget**

The HECB believes the time has come for the state to renew its commitment to higher education as one of its primary duties, and to use new revenue if current resources aren't sufficient to pay for needed investments.

To accomplish critical funding goals, the Board has identified the operating and capital budget needs outlined below. In recognition of the state's fiscal challenges, these investments could be made over the next two biennia.

The Board continues to believe the state should grant the public institutions full authority to set student tuition, including rates for resident undergraduates. Currently, the Legislature and Governor establish maximum limits for resident undergraduate tuition in the state operating budget, but lawmakers will reconsider that policy during the 2003 session.

Further, the Board believes the colleges and universities should be responsible for clearly explaining how additional funds – both state appropriations and tuition revenue – are used, and the benefits that the state receives from its investment in higher education.

- **New enrollments (\$204 million in operating budget)** – Funds would support 15,571 new full-time enrollment slots (FTEs) at the two-year and four-year colleges and universities. Most of these enrollments should be used to expand capacity at the community and technical colleges, and to increase enrollment in “high-demand” programs at both two-year and four-year institutions.
- **Restore ‘core funding’ (\$797 million in operating budget)** – Funds would raise state support for Washington's two-year and four-year institutions to the average of comparable institutions nationwide. Core funding provides the foundation for critical undergraduate and graduate instructional programs.

- **Financial aid (\$103 million in operating budget)** – Funds would:
  - a) Restore the purchasing power of grants and scholarships that were eroded by this year's double-digit tuition increases and budget cuts;
  - b) Keep up with future tuition hikes; and
  - c) Achieve the HECB goals of providing State Need Grants equivalent to full public tuition to students whose family income is up to 65 percent of the state median (currently, 65 percent of the state's median family income is \$41,500 for a family of four).
- **Capital funding for preservation and expansion (\$952 million in capital budget)** – Funds would:
  - a) Begin to reduce the backlog of replacement, preservation and renovation needs of higher education facilities;
  - b) Ease overcrowding and improve deficient facilities in the community and technical colleges; and
  - c) Complete a number of major construction projects at the regional comprehensive institutions and the research universities' branch campuses.

### **The rationale for a major state investment in higher education**

Public higher education in Washington is facing a crisis. Years of restricted funding support has eroded per-student funding just as thousands of new students are attempting to get a college education. Here are some key issues:

- **Significant over-enrollment.** In an effort to serve more students despite limited state funds, colleges and universities are serving 12,000 more full-time students than the number supported by the state budget. Nearly 9,000 of these 'over-enrollments' are at the community and technical colleges. Job training and retraining programs, often used by older students who need to change careers, are over-crowded at all two-year colleges.
- **Thousands of new enrollments needed.** By 2010, the state will need to create space for 29,000 additional state-funded enrollments (FTEs) just to keep pace with population growth. The main reason is that the size of the prime college-going population of 17- to 29-year-olds is expected to increase 15 percent during the next eight years.
- **Erosion of state funding.** Per-student state funding has declined by 9 percent since the 1991-93 biennium at the state's four-year college and universities when adjusted for inflation. Declining per-student funding limits class offerings and student services, and contributes to the "brain drain" of top faculty. Funding for Washington's colleges and universities is well below the average of comparable institutions across the country.
- **Large tuition hikes.** Students and families are paying an increasing share of educational costs in the form of large tuition increases. Over the last 10 years, tuition at the research universities increased by 106 percent – twice as fast as personal income, and four times faster than inflation. Student debt is increasing, and many students are being priced out of college.